



Findings on the Singapore Governance & Transparency Index (SGTI)

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3 August 2016

Singapore Governance & Transparency Index (SGTI)

A Collaboration Between



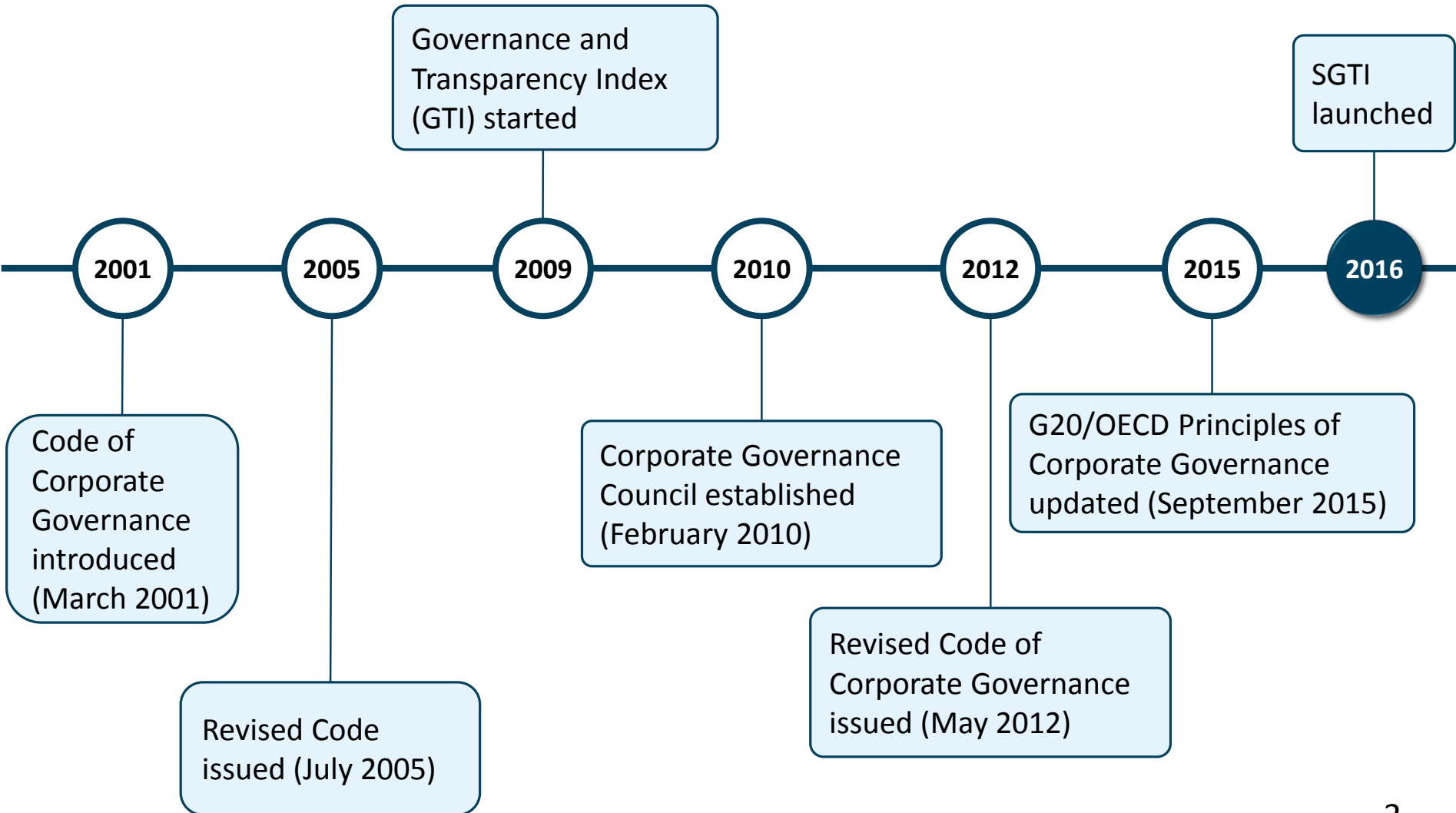
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Singapore's Corporate Governance Developments



Announcement of SGTI

This latest version of the Singapore Governance and Transparency Index (SGTI) will replace the current benchmark in 2016...



Corporate governance index to cast wider net on stakeholder feedback

2016 index will also tap OECD principles; scores in 2015 rankings hit a new high. Singtel takes top spot in annual ranking

By Kenneth Lim
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CONSIDER it the seven-year itch of corporate governance.

How and why the current Governance and Transparency Index (GTI) can be improved became the hot topic on Tuesday as organisers revealed the seventh annual edition of the governance benchmark.

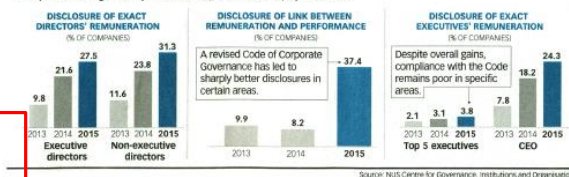
This latest version of the Singapore Governance and Transparency Index (SGTI) will replace the current benchmark in 2016, said its organisers CPA Australia, the National University of Singapore's Centre for Governance, Institutions and Organisations (CIO) and *The Business Times*.

The new index will adopt a more comprehensive view of a company's stakeholders and work on principles derived from the Organisation for Economic Co-operation and Development (OECD).

Participants in a panel discussion found themselves debating whether a benchmark like the GTI adequately captures the effectiveness of a board of directors, especially in terms of participation in the company, developing strategy and setting a corporate culture.

Know your pay

Companies are generally more transparent about pay matters



Singapore Telecommunications (Singtel) reclaimed the top spot in 2015, a position it last held in the 2012 ranking. Singapore Exchange, the fourth last year, jumped to the second spot.

The GTI remains dominated by a select group of blue chips – 18 of the top 21 this year were also in the top 21 last year – and scores in general have improved.

The mean score of 47.6 out of a best possible 143 in 2015 was the best since the first GTI in 2009.

Associate professor Lawrence Loh noted that companies in the middle

of the pack had to improve their scores by seven points in the latest ranking just to maintain the same rank; companies between the 25th and 75th percentile who maintained the same score could lose about 100 places.

"You can't stay still," Prof Loh said. The 2015 GTI looked at 639 Singapore-listed companies' annual reports and assessed them on matters relating to the board, remuneration, accountability and audit, and transparency and investor relations.

After assigning a base score out of 100, assessors then added bonus

points or subtracted penalty points. The highest score in 2015 was 116, and the lowest, nine – the first time that the bottom score was positive.

Prof Loh called the Code of Corporate Governance, which was revised in 2012 but fully applied to every annual report only from this round of rankings, as the key lever that lifted the scores.

Prof Loh said: "The revised code is actually more than a tap on the wrist: it is a kick in the pants for everybody to be serious about corporate governance. Because now it's engrained, you now have to comply or explain."

Sharp improvements were recorded in the following areas:

- the number of financial statements certified by the chief executive or chief financial officer;
- the use of poll voting at shareholder meetings;
- the disclosure of how remuneration was linked to performance; and
- the disclosure of limits to concurrent directorships.

But improvement seemed to lag in other areas. For example, only 3.8 per cent of companies disclosed the exact remuneration of their top five executives; and although 94.5 per cent of companies said they had a whistleblower policy, only 23.3 per cent gave details of that policy.

Whether the GTI's scores and rankings said enough about the effectiveness of a board was something prominent business leader Boon Swan Foo questioned several times.

The board's role goes beyond simply complying with governance guidelines, he said. Directors should also be assessed in terms of whether they are active participants in their companies. Do they contribute to strategy and culture?

He said: "The more important part, to me, is strategy and risk management – how you participate in run-

ning the company, not how you participate in controlling the company."

Singtel chief corporate officer Jeann Low said that it was important to also recognise sustainable long-term performance, key to it is how the board and management work together.

"What you need really is the entire dynamics of the board," she said. Chng Lay Chew, chief financial officer of Singapore Exchange, said that it was also important to recognise that shareholders are not the only stakeholders in a company.

"One possible way to supplement measurement of compliance against corporate governance standards is to obtain stakeholder feedback on their view of a company's governance. This can include (feedback from) shareholders, regulators and customers."

Prof Loh said that the new SGTI will seek to address that issue, with a more comprehensive look at a company's impact.

"We are going beyond the board of directors or even the shareholders," he said. "We will look at employees, customers, suppliers, regulators, the society at large. This is in line with the spirit of global practices."

Full list of ranking / 10-11
Commentary: Pushing towards a new frontier / 11
How the scoring is done / 11

The Business Times
Wednesday, August 19, 2015

Transition from GTI to SGTI

GTI Base Score Structure

Base Score (Max = 100 points)
Board Matters (Max = 35 points)
Remuneration Matters (Max = 20 points)
Accountability & Audit (Max = 20 points)
Transparency & Investor Relations (Max = 25 points)



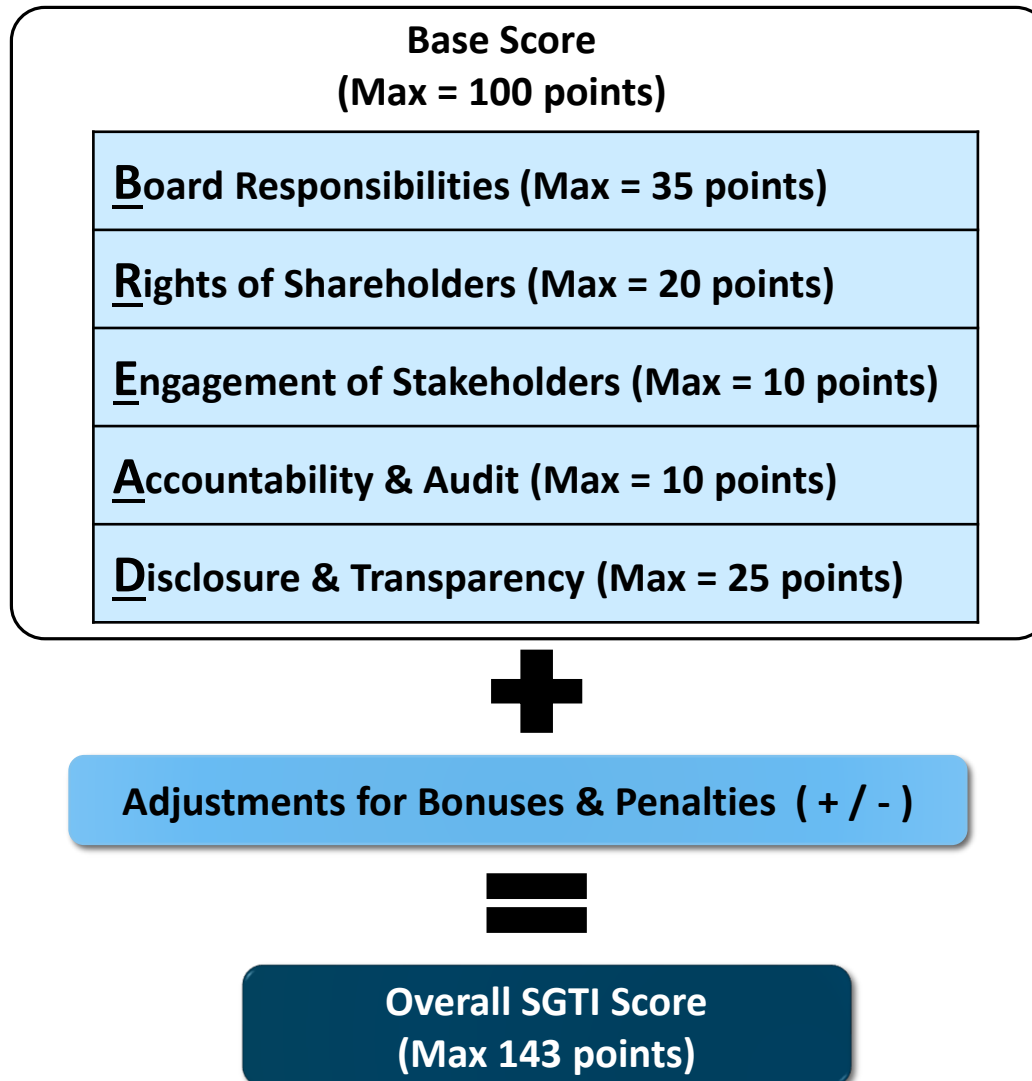
SGTI Base Score Structure

Base Score (Max = 100 points)
Board Responsibilities (Max = 35 points)
Rights of Shareholders (Max = 20 points)
Engagement of Stakeholders (Max = 10 points)
Accountability & Audit (Max = 10 points)
Disclosure & Transparency (Max = 25 points)

Notes:

- “Remuneration Matters” is subsumed under “Board Responsibilities”.
- Existing elements and questions are rearranged to be further in line with the G20/OECD Principles of Corporate Governance.

SGTI Structure



SGTI Methodology

Data Coverage

- 631 companies that released annual reports for FY-end 2015
- Cut-off date for annual report release: 31 May 2016
- 143 companies excluded
 - Newly-listed companies that do not have a full year's financial report (22)
 - Companies that are listed as secondary listings on SGX (33)
 - Companies that primarily complied with another code in addition to Singapore's Code of Corporate Governance (2)
 - Funds (8)
 - REITS and Business Trusts (43)
 - Companies that are suspended from trading (34)
 - Company that did not release annual report for the past 3 years (1)

SGTI Methodology

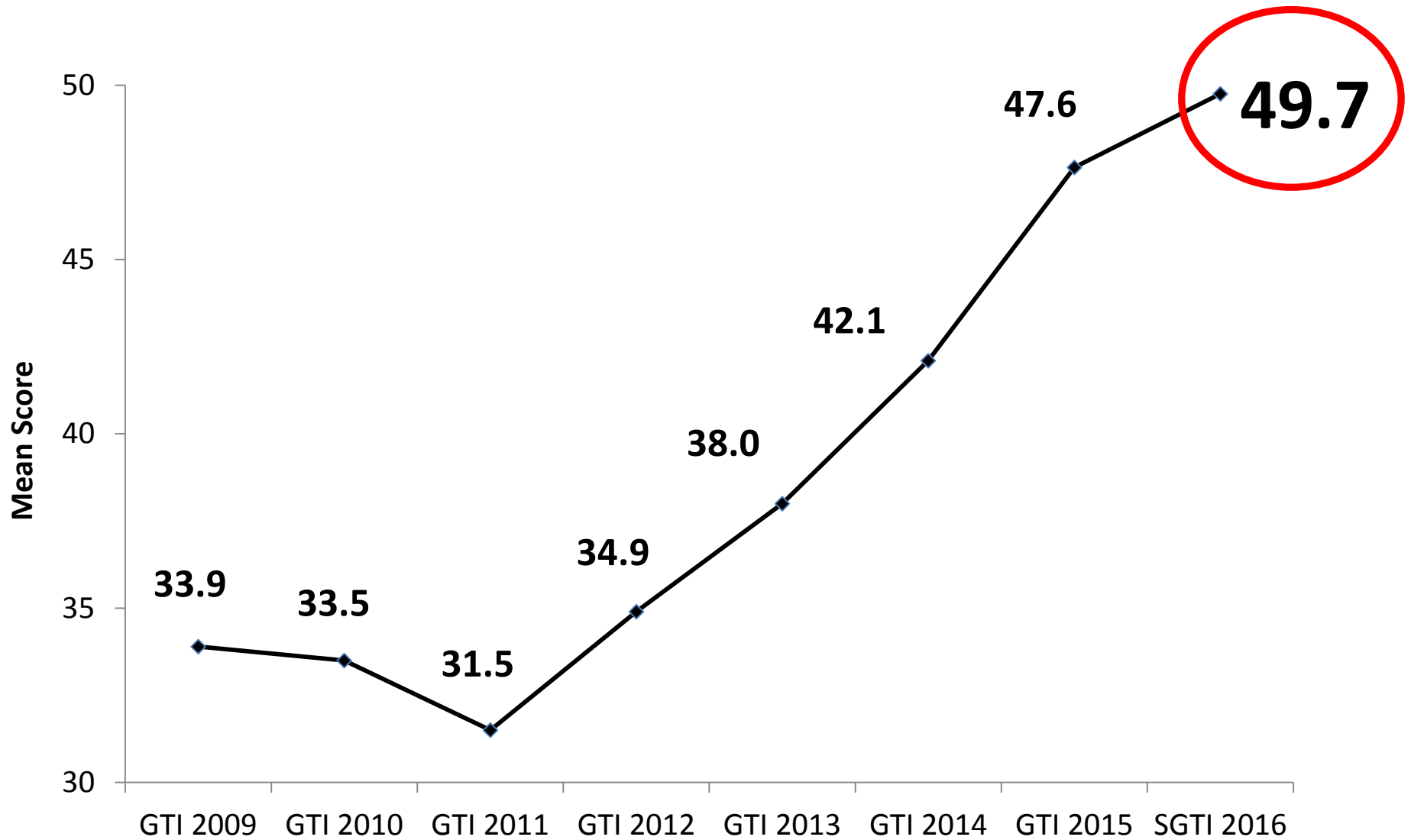
Information Sources

1. Annual reports
2. Corporate websites
3. Company announcements on SGX: 1 Jan 2014 to 31 Dec 2015
4. Media coverage: 1 Jan 2014 to 31 May 2016
5. Responses from companies' Investor Relations

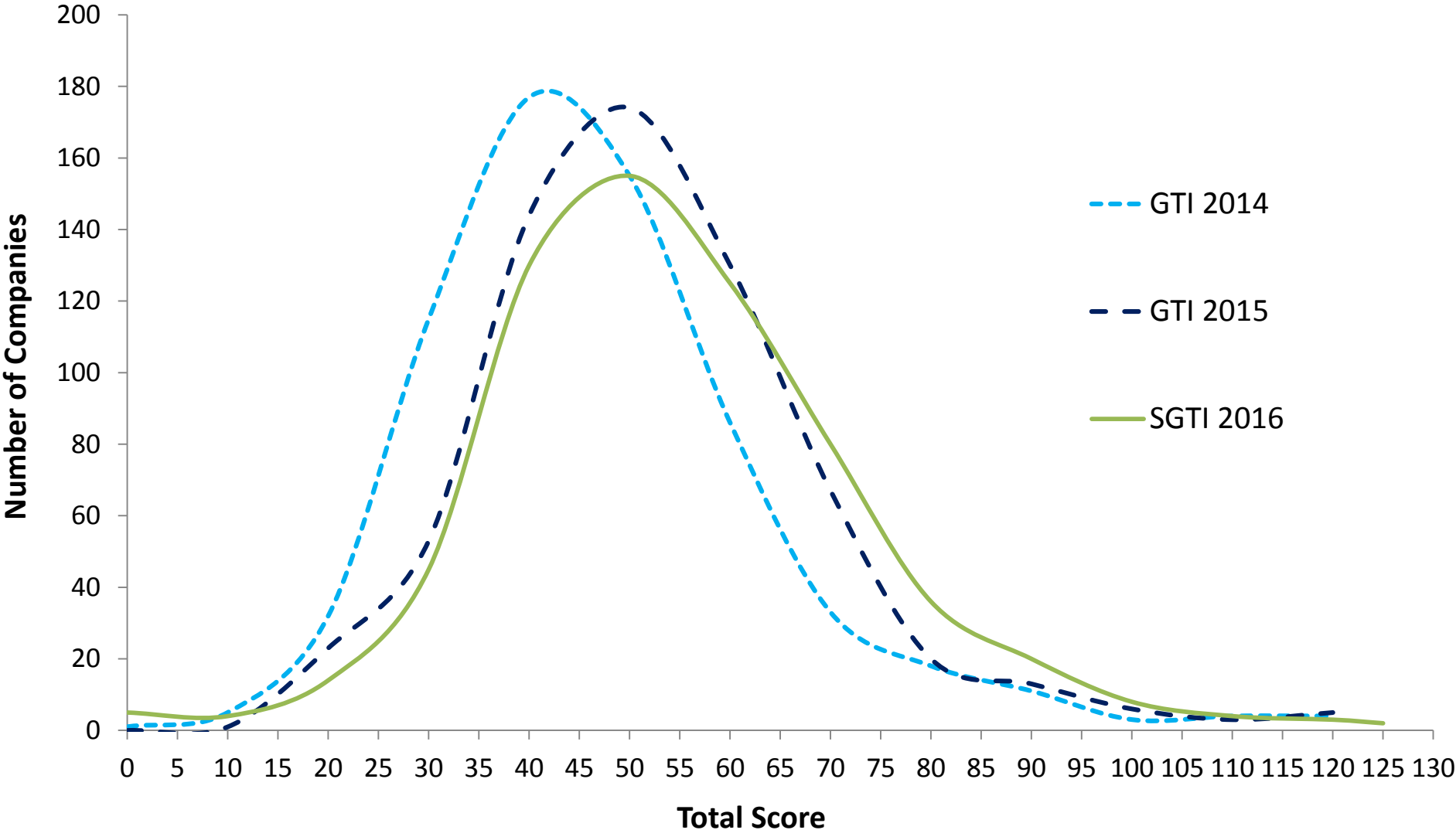
SGTI Advisory Panel

- **Mr Loh Hoon Sun**, *Managing Director*, Phillip Securities Pte Ltd
- **Mr Low Weng Keong**, *Past Global President and Chairman of the Board*, CPA Australia
- **Mr Chaly Mah**, *Chairman (Retired)*, Deloitte Singapore
- **Mr Alvin Tay**, *Editor*, The Business Times
- **Mrs Stefanie Yuen Thio**, *Joint Managing Director*, TSMP Law Corporation

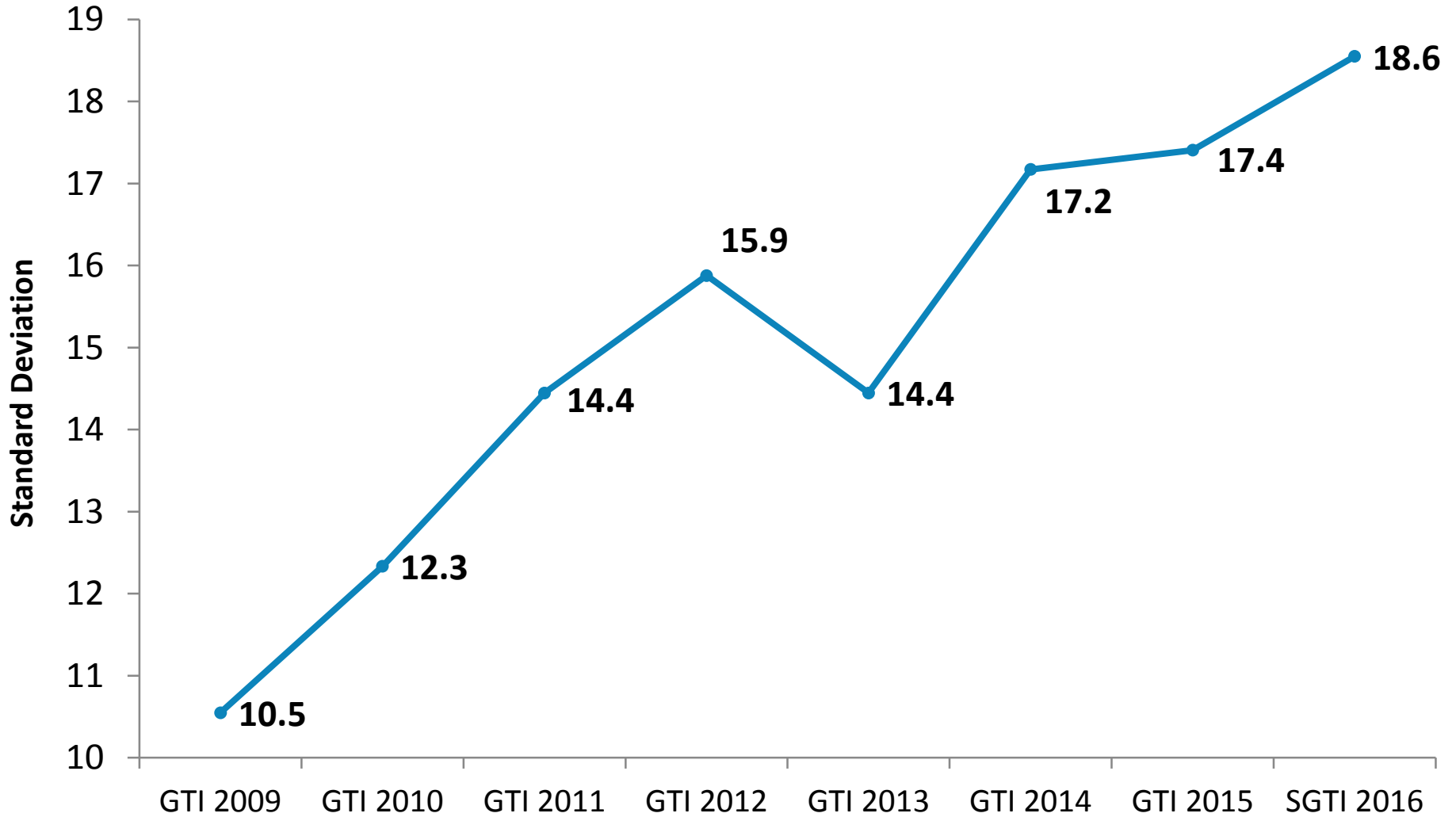
Overall Trend



Score Distribution



Score Dispersion Trend



Highlight of Findings

**Board
Responsibilities**

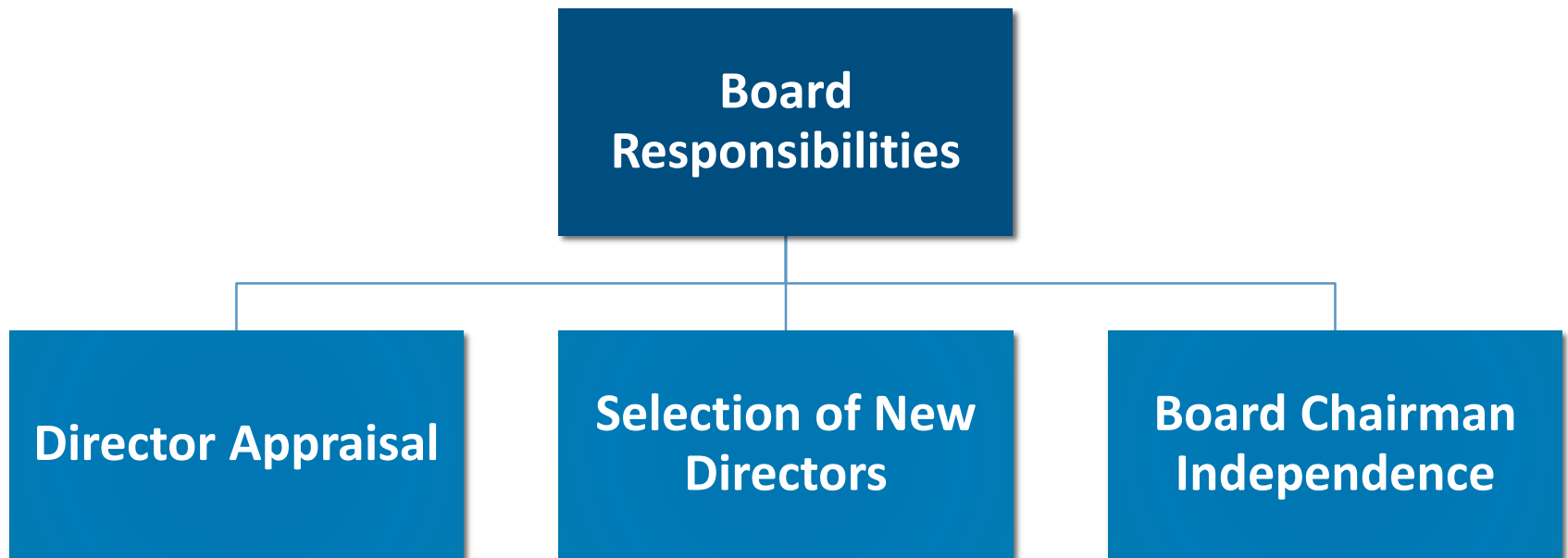
**Rights of
Shareholders**

**Engagement of
Stakeholders**

**Accountability
& Audit**

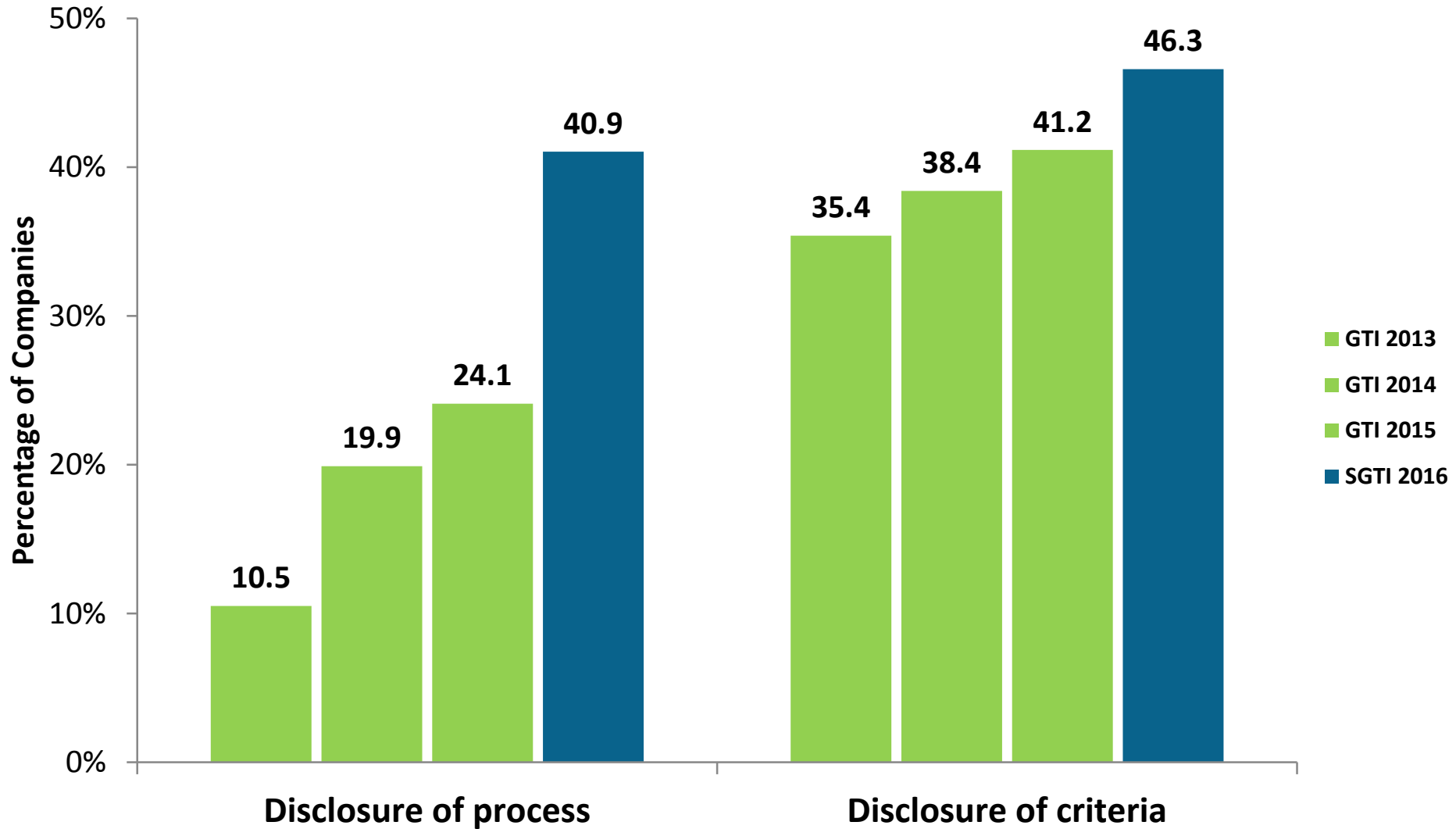
**Disclosure &
Transparency**

Board Responsibilities



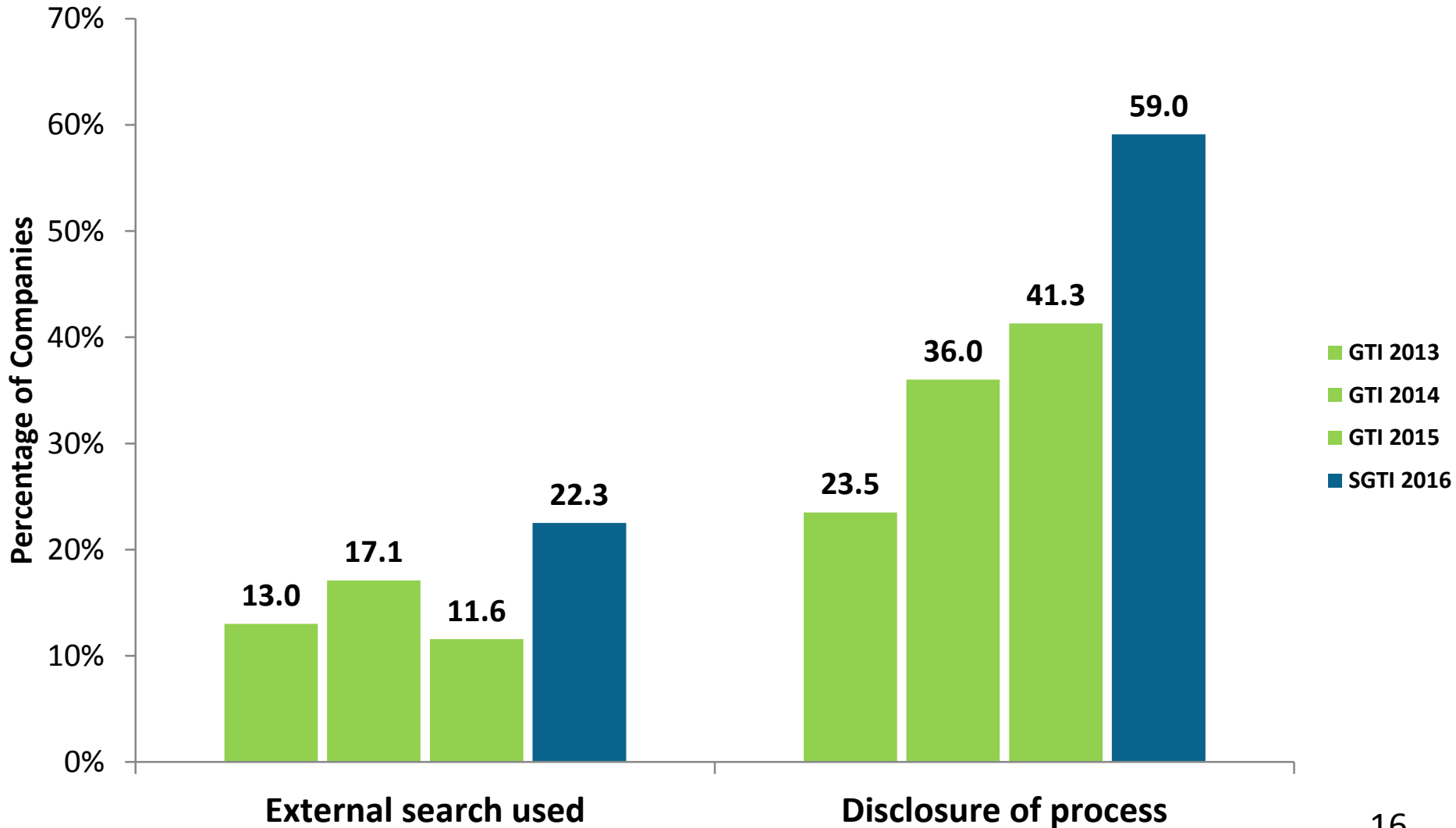
Board Responsibilities

Director Appraisal



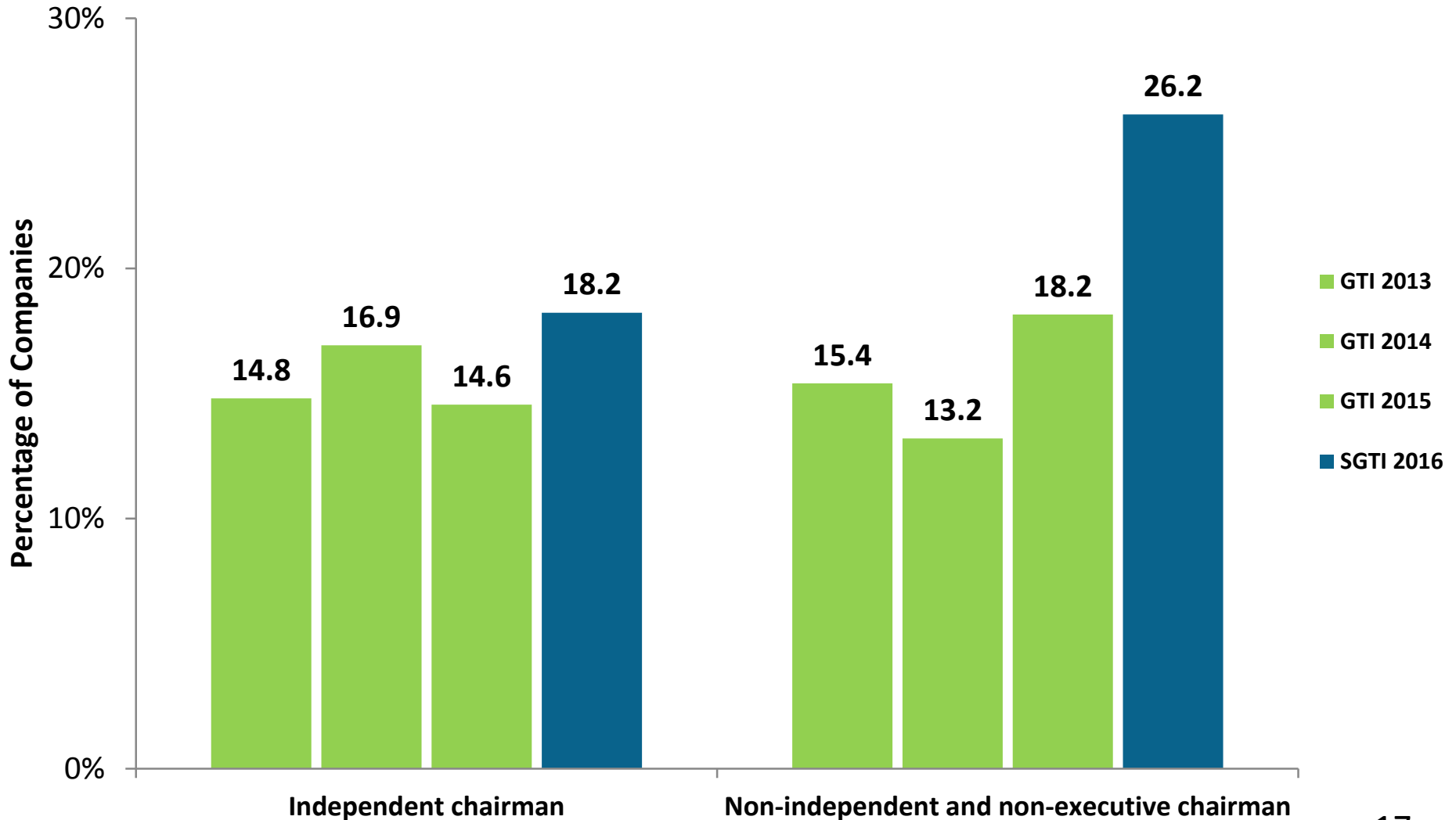
Board Responsibilities

Selection of New Directors

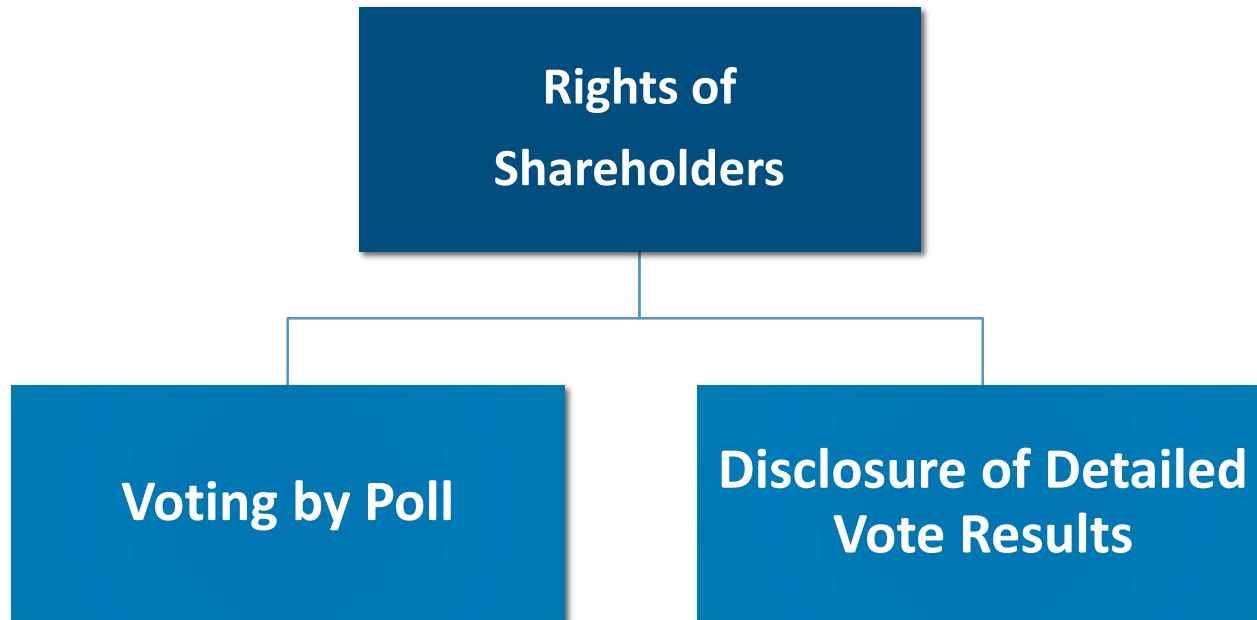


Board Responsibilities

Board Chairman Independence

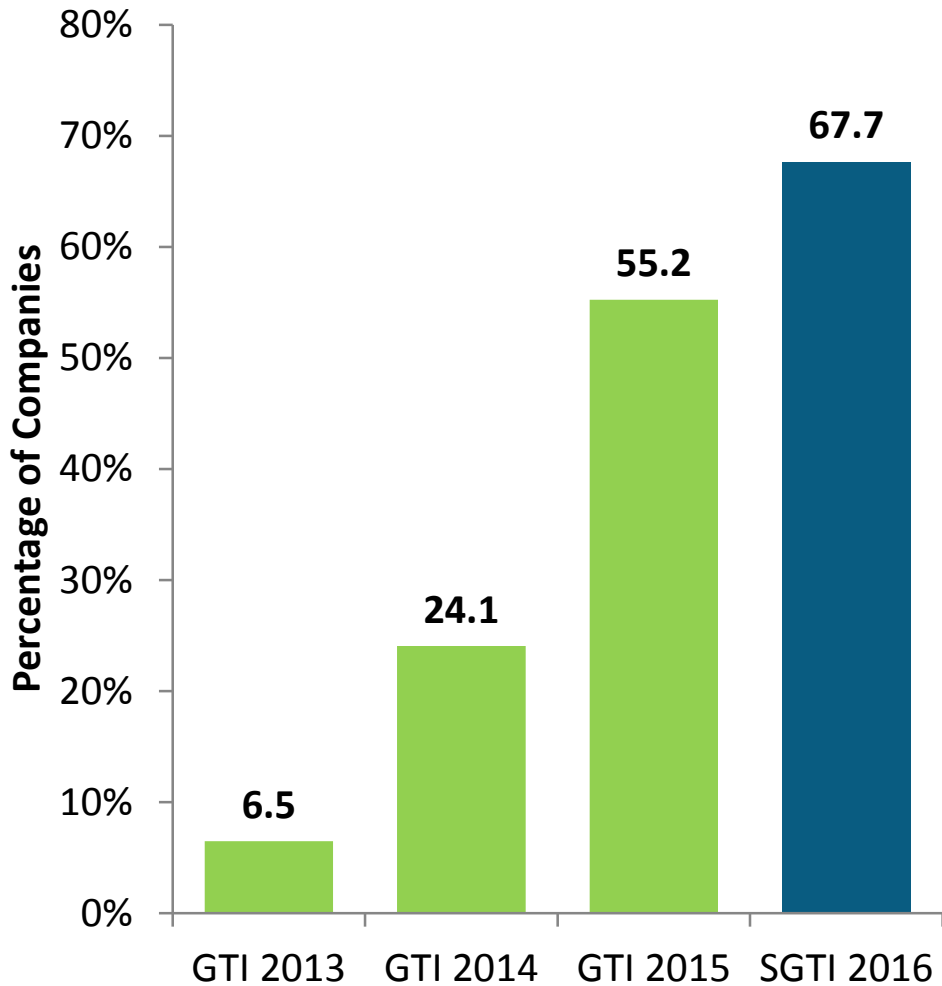


Rights of Shareholders

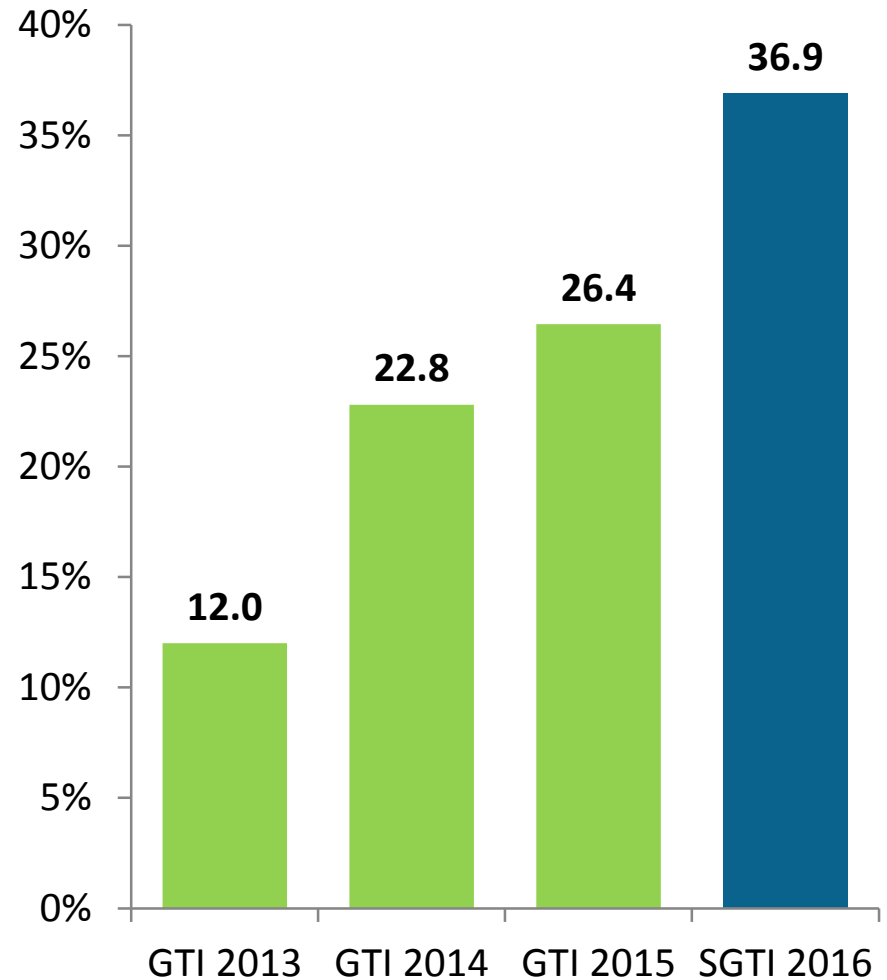


Rights of Shareholders

Voting by Poll



Disclosure of Detailed Vote Results

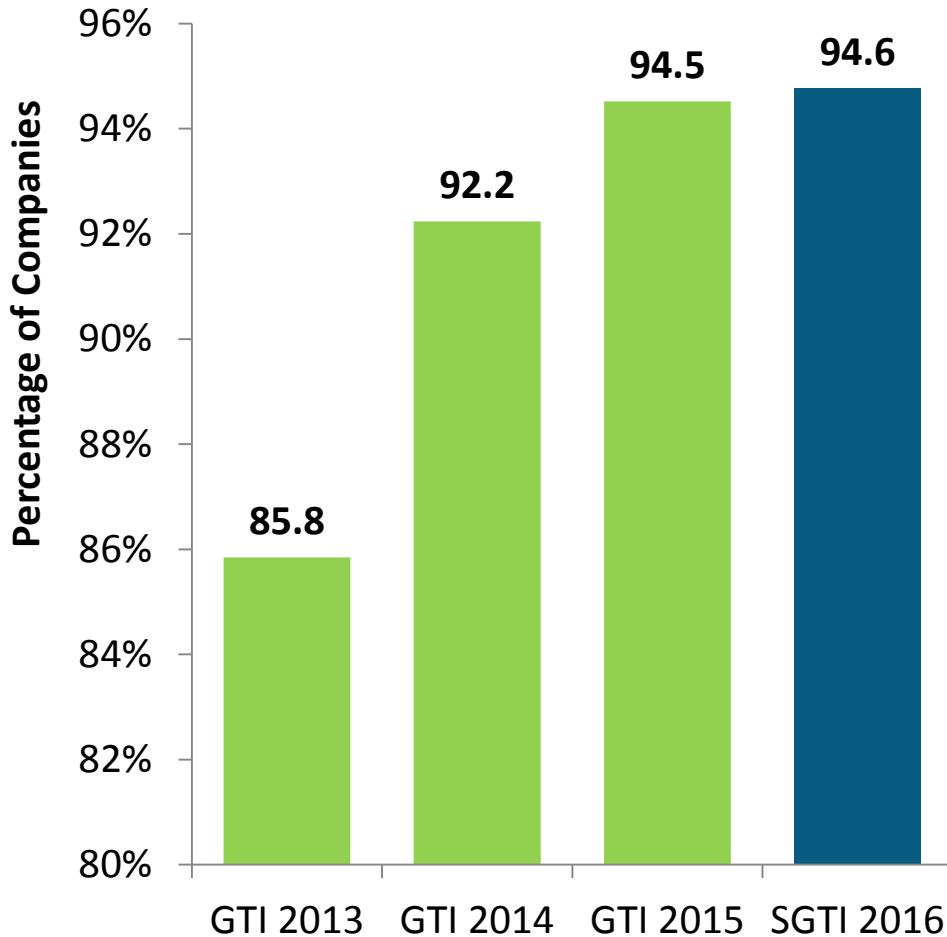


Engagement of Stakeholders

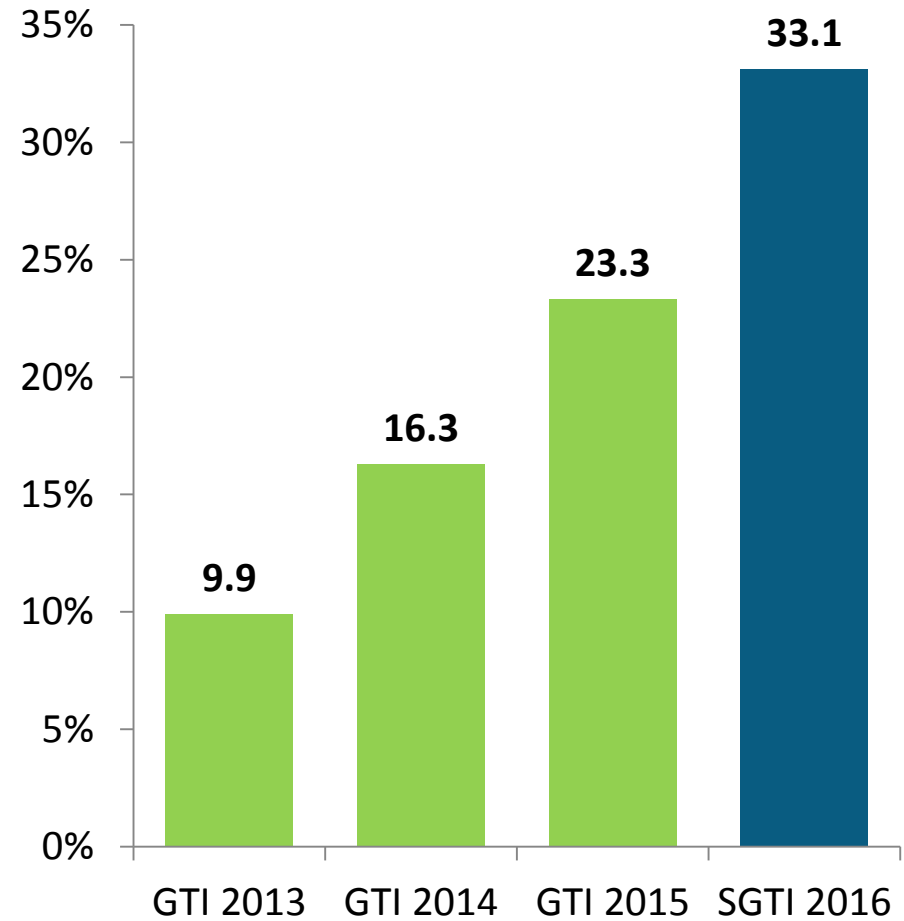


Engagement of Stakeholders

Having a Whistle-blowing Policy



Disclosing Details of Whistle-blowing Policy

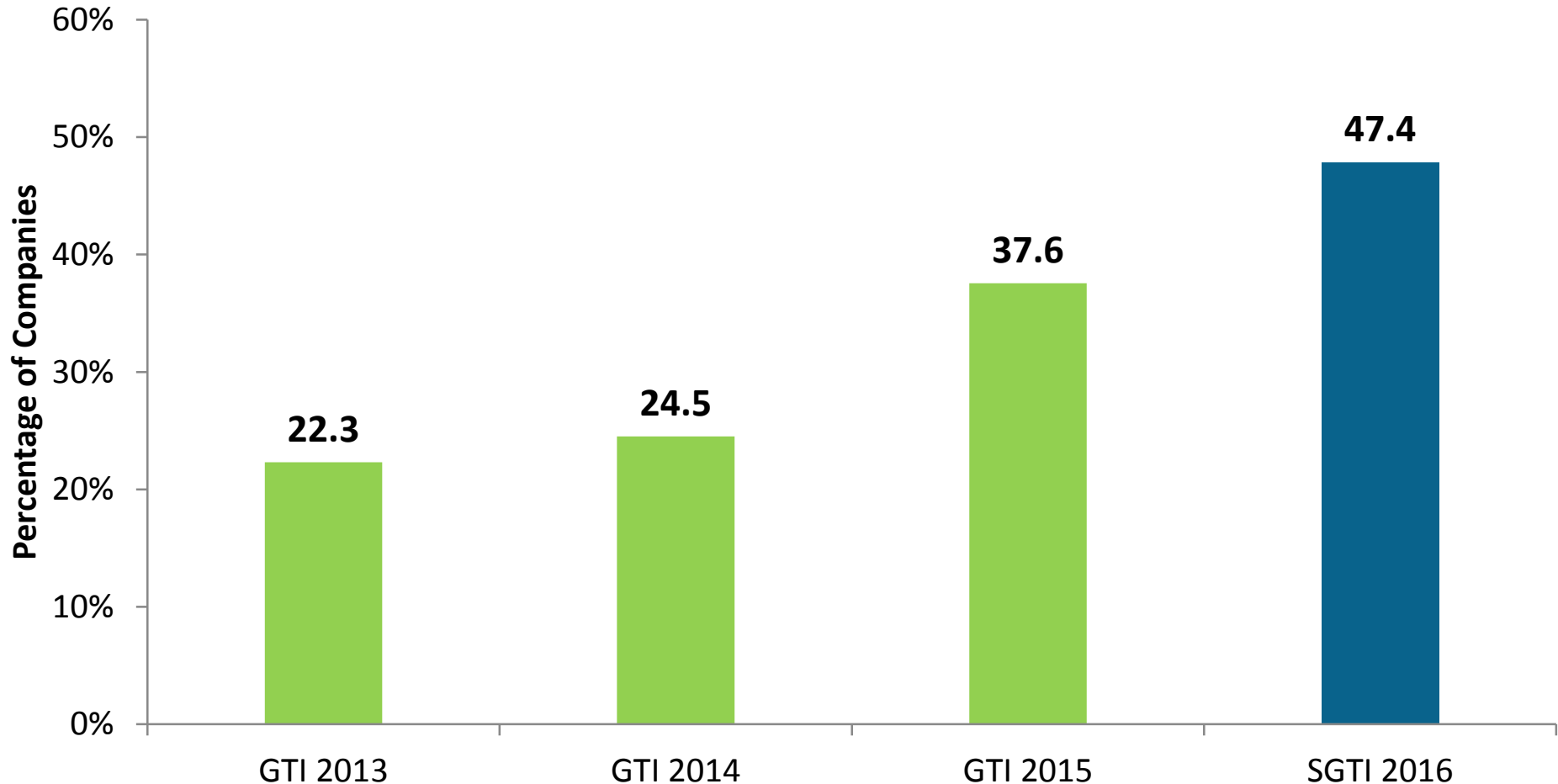


Accountability & Audit



Accountability & Audit

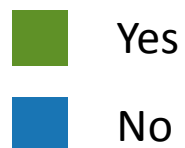
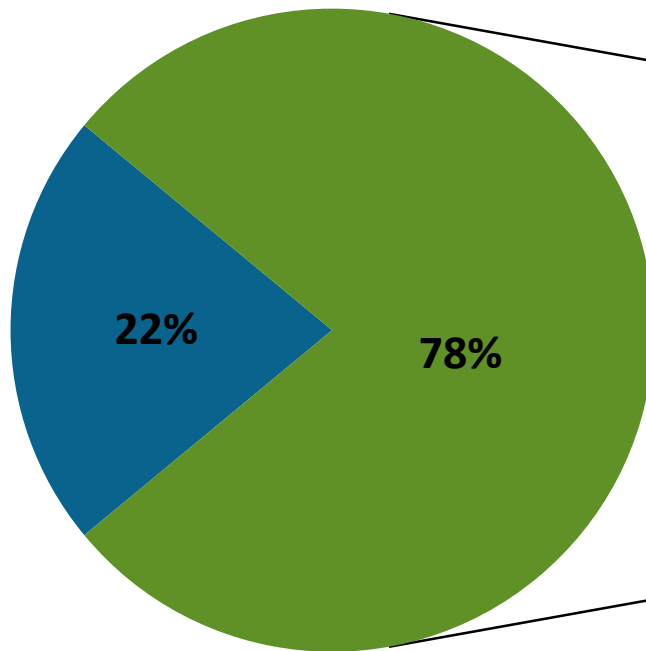
Disclosure of Risk Management Process & Framework



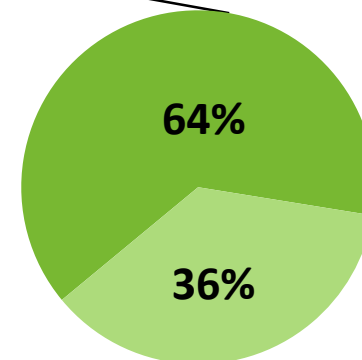
Accountability & Audit

Internal Audit Function

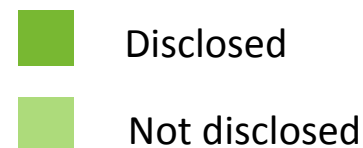
Having a separate internal audit function



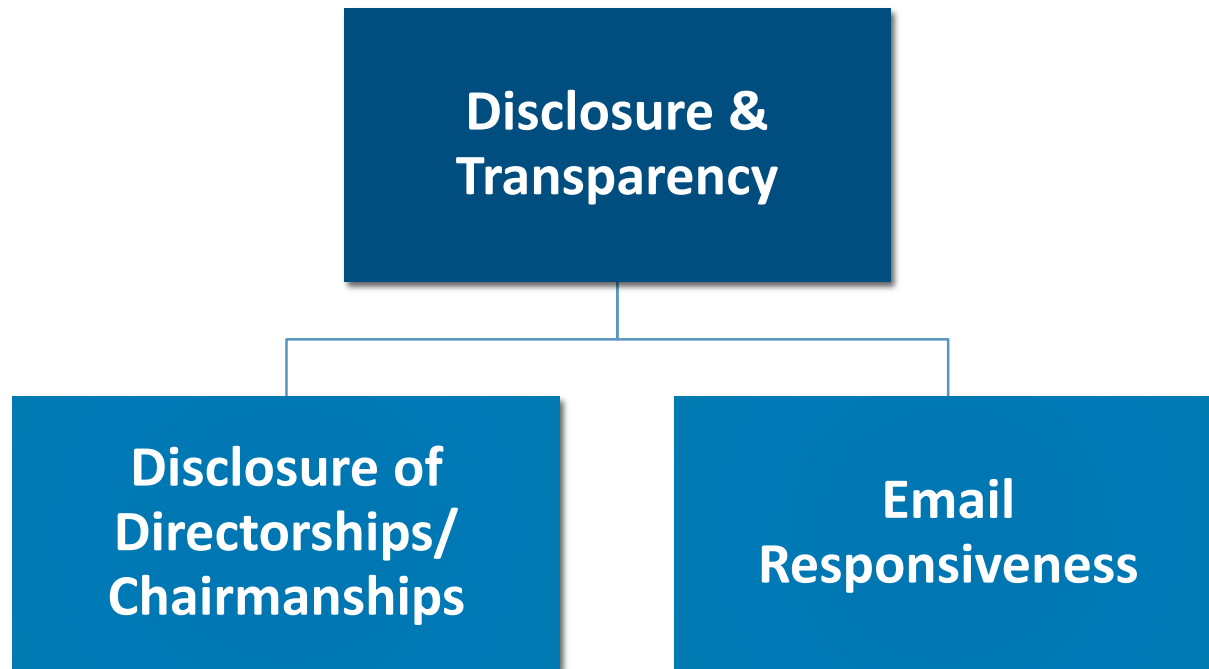
Further division among "Yes"



Name of head of internal audit or audit firm

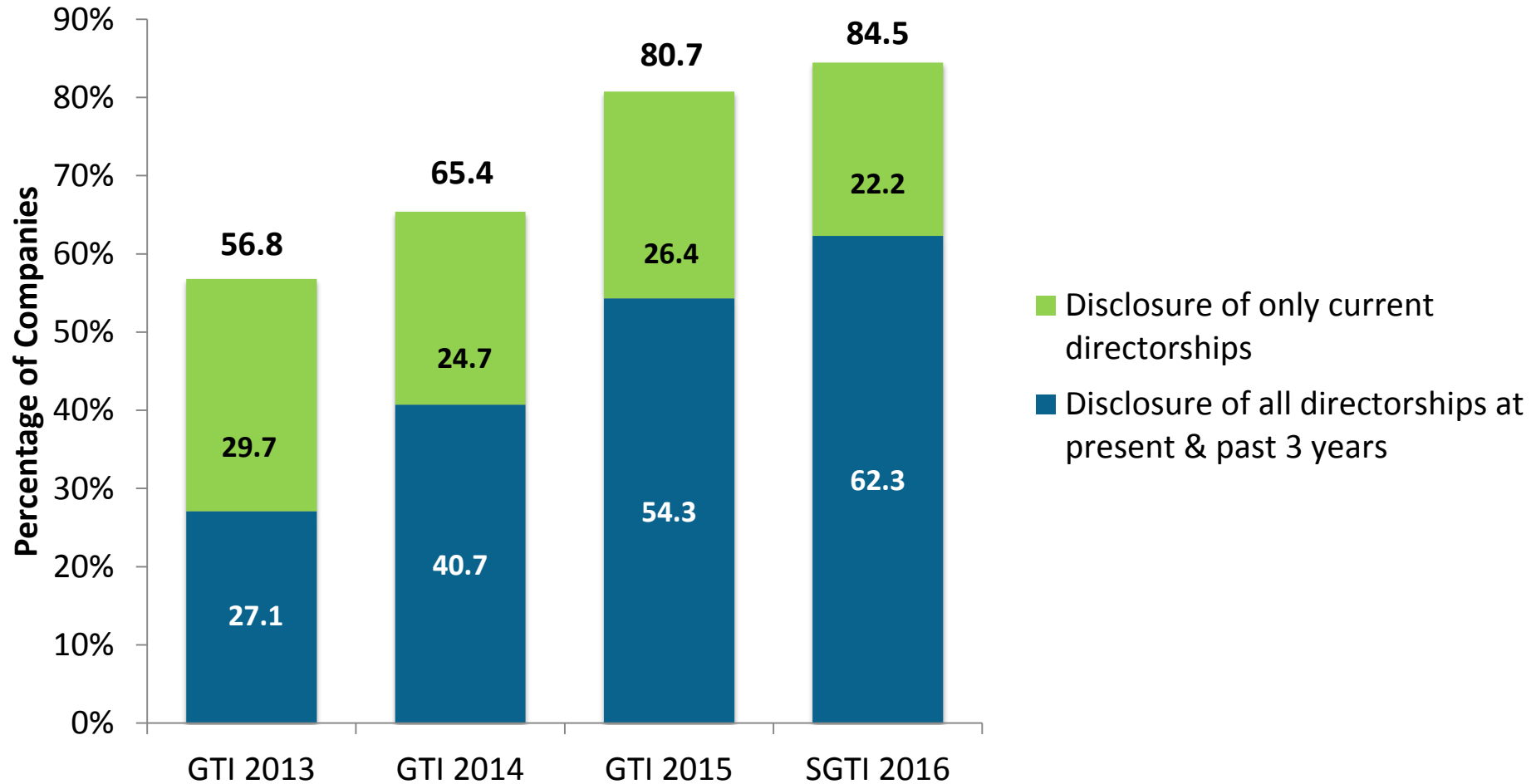


Disclosure & Transparency



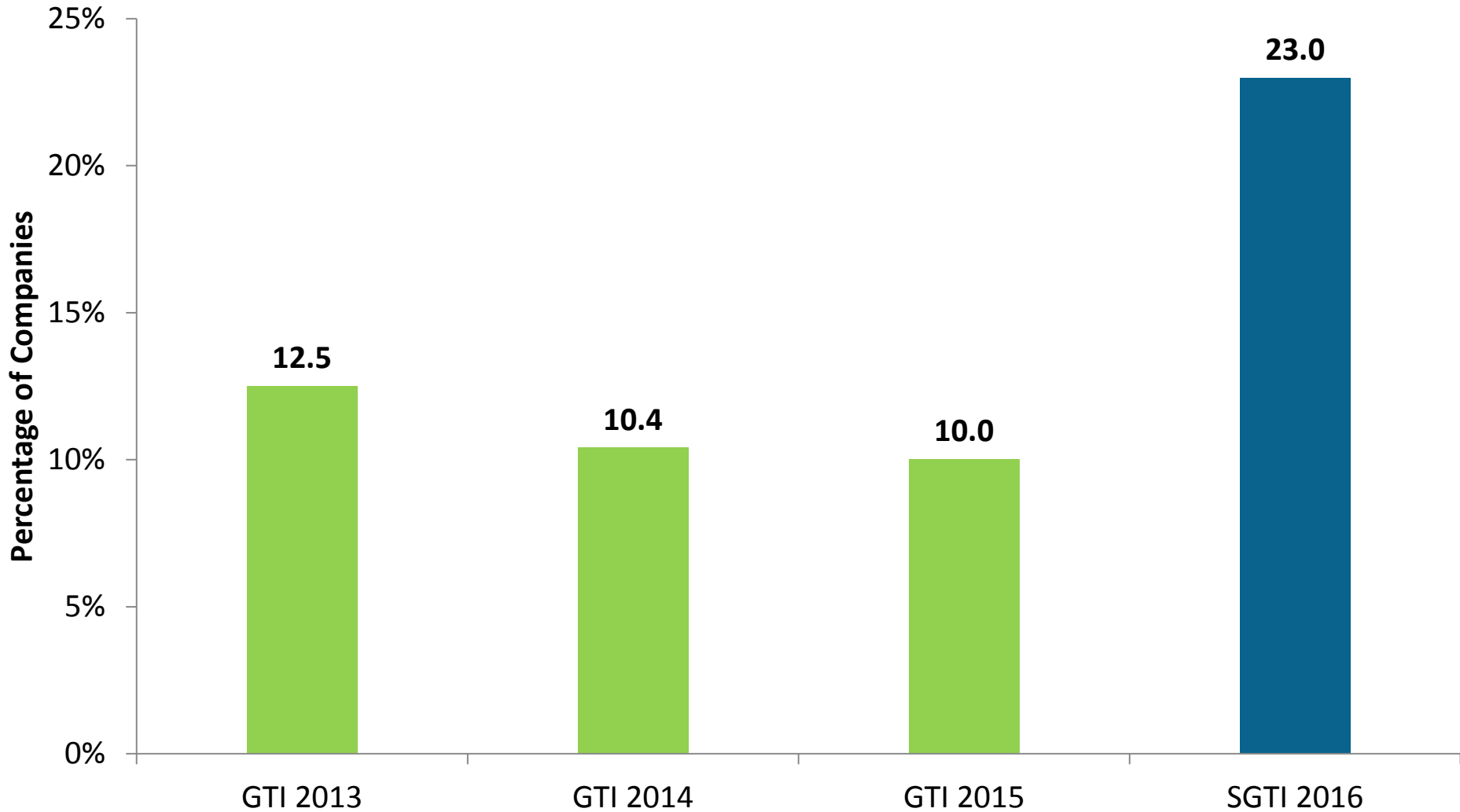
Disclosure & Transparency

Disclosure of Directorships/Chairmanships

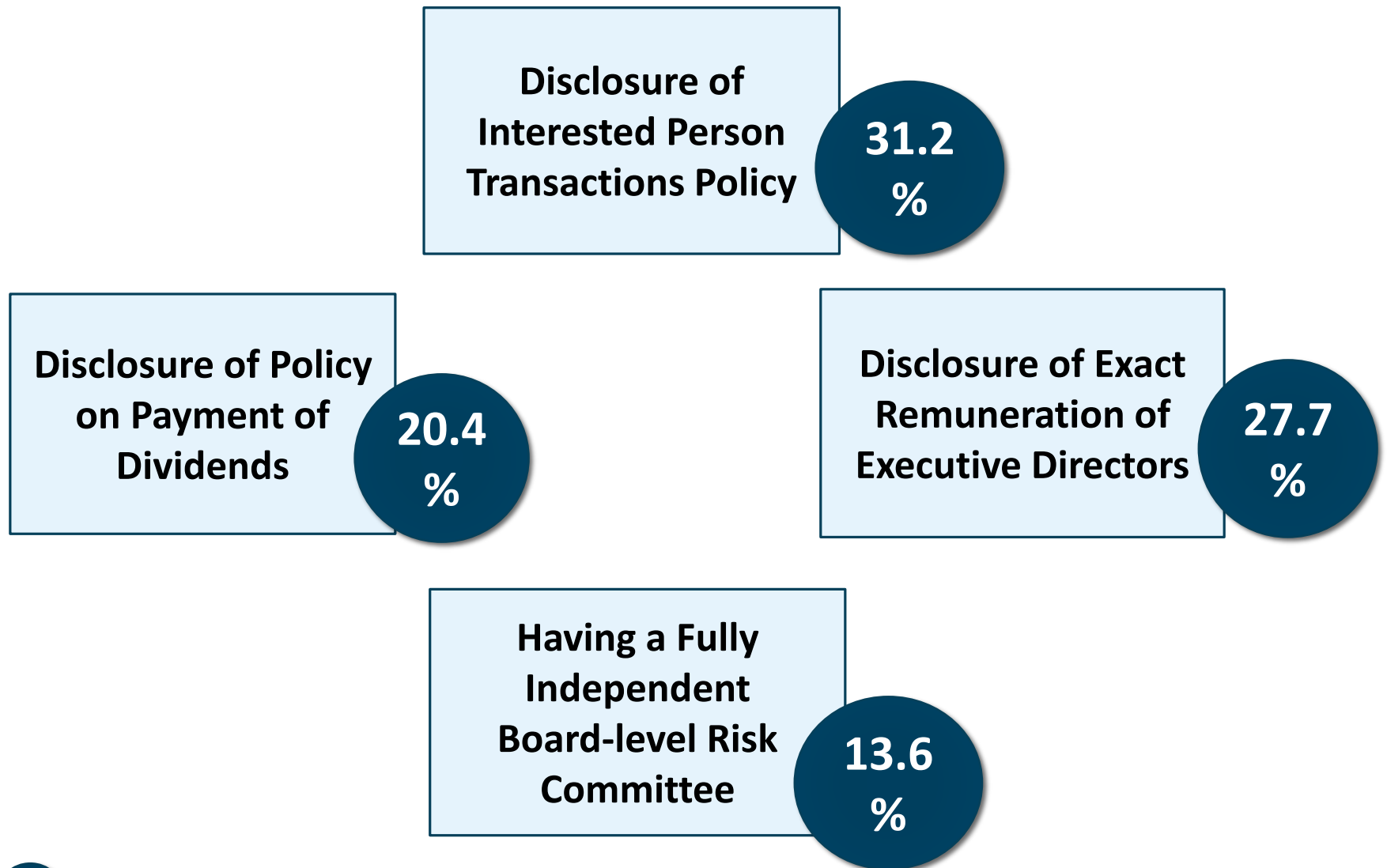


Disclosure & Transparency

Email Responsiveness



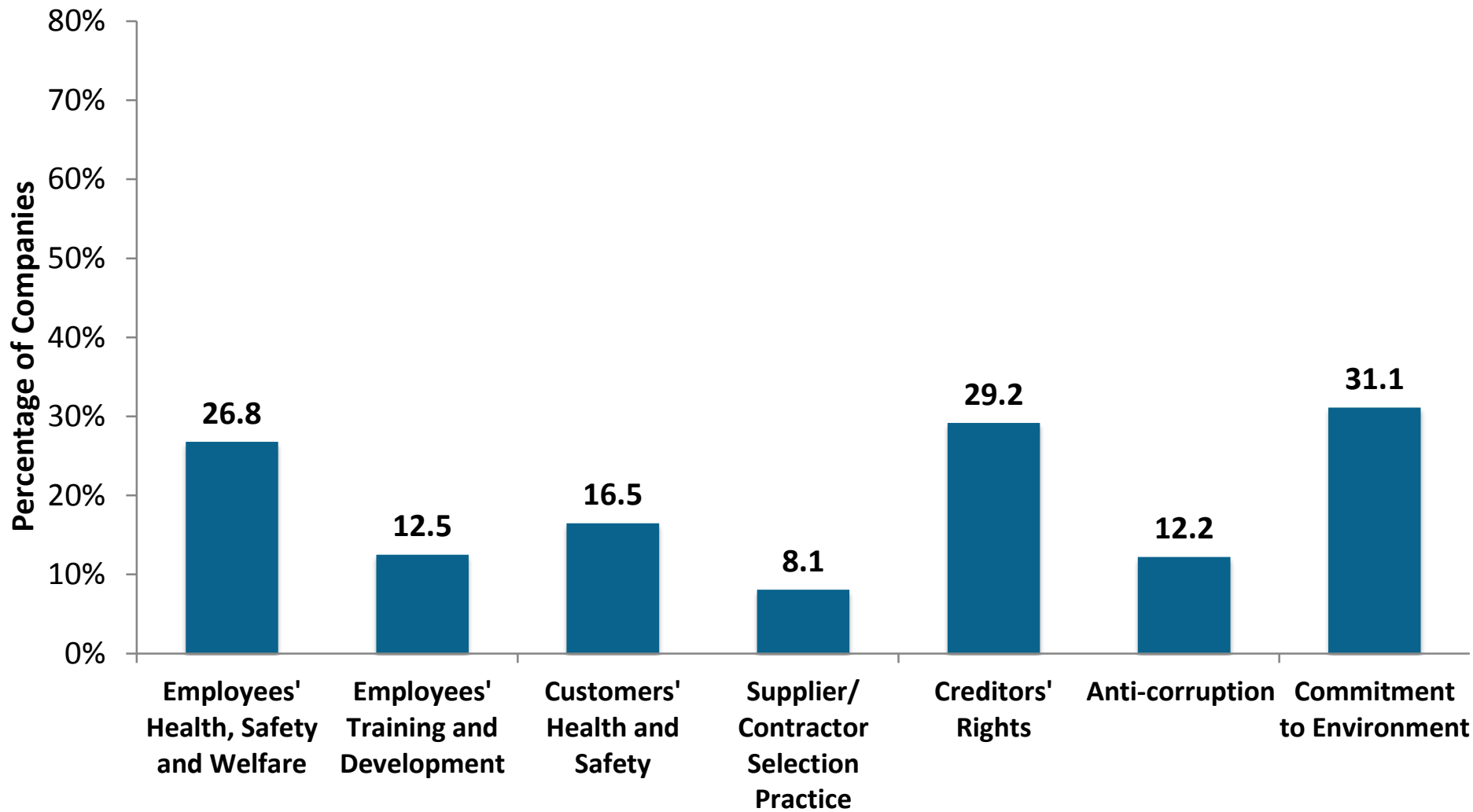
Further Improvements to be Made



 Percentage of companies complied

Further Improvements to be Made

Engagement of Stakeholders - Disclosures on Policy and Relevant Activities



Conclusion

- Average overall SGTI points at all-time high of 49.7
- Achieved significant progress in disclosures and practices
- Room for improvement in engagement of stakeholders
- Feasibility to launch a corporate governance assessment for REITS and Business Trusts next year